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Testimony on Senate Bill 4
Senate Committee on Financial Institutions and Rural Issues
February 23, 2011

Thank you, Chairman Schultz, and members of the committee for holding this hearing on Senate Bill 4 today.

In 2005, both Representative Suder and Williams introduced the Rural Jobs Act so that qualified businesses in zones could receive tax incentives. When Governor Doyle signed this bill, he vetoed a number of provisions—specifically he eliminated the requirement that the enterprise zones be located in rural areas. The net impact of that veto is that the Department of Commerce allocated the zones to urban areas instead of rural parts of the state.

Under current law, the Department of Commerce can designate 12 enterprise zones. This bill increases the number of enterprise zones to 16 and designates these four additional zones for rural areas. Two of these zones are defined as political subdivisions with populations of less than 5,000 and two additional zones with populations between 5,000 and less than 30,000.

Under current law, a business that retains jobs in an enterprise zone is eligible for tax credits if a business makes a significant capital investment in property located in the zone and at least one of the following applies: (1) the business is an original equipment manufacturer with a significant supply chain in the state; or (2) the business has more than 500 full-time employees in the enterprise zone. Under this bill, a business that retains jobs in the rural zones and makes significant capital investment in property located within these zones is eligible for tax credits.

On June 14, 2010, the Milwaukee Journal Sentinel reported that the state had already committed up to \$135.6 million in enterprise zone tax credits to four major

employers, and is already on track to recoup \$164 million. The article also estimated that the program has helped to keep or create 7,400 jobs.

Clearly, this program has been a huge success in urban parts of the state. Although Representative Rivard will talk more about how this program was created, it is important to mention that the enterprise zone program was originally intended to only be used in rural communities throughout the state.

In a session that is being focused on jumpstarting Wisconsin's economy, Senate Bill 4 goes a long way to making this possible in rural areas, which often suffer from high unemployment. Just think for a moment about how much better off rural Wisconsin would have been over the past five or six years if the program would have been used as intended. In my district, five of my seven counties have unemployment levels of 9.9 percent or higher. Rusk County has the second highest rate in the state at 11.8 percent. There is no question that rural job creation is critical to enhancing the state's economic growth.

I ask that you join me and Representative Rivard in taking a critical step to bring this program to rural Wisconsin and continue to make job creation a priority in supporting Senate Bill 4. Thank you for your time and consideration, and I will now turn it over to Representative Rivard.



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Testimony on Senate Bill 4 – The Rural Jobs Act Assembly Committee on Rural Economic Development and Rural Affairs February 23, 2011

I would like to echo thanks to Chairman Schultz and the members of this committee for holding a hearing on Senate Bill 4, the Rural Jobs Act. Also, thank you to Senator Galloway for her testimony.

Rural Job creation must become the state's top priority if we are to restore good-paying jobs and a healthy economy in Wisconsin. As you all know, our rural areas have been hit the hardest during this terrible recession.

The unemployment situation in Senator Galloway's district paints a stark picture of just how frightening things are right now. As I talk with people across my district, I hear one thing: things are really difficult. In fact, the situation is downright scary for those who have lost jobs and are struggling to pay for life's necessities.

It's time to restore jobs in rural areas again. If we don't turn things around, our problems will only worsen. Declining enrollment in rural school districts will continue, brain drain from high school graduates will continue, and our small communities will shrink, making job creation even more difficult.

On the bright side, there will be tremendous benefits if we can help foster strong rural economies. Property taxes, living costs and housing costs tend to be lower in rural areas, so good-paying jobs can significantly increase the standard of living in rural areas. Employers are always seeking to do business in lower-cost,



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business-friendly jurisdictions, so rural areas are a great fit for entrepreneurs, manufacturers and other employers.

With these ideas in mind, I have been working with Senator Galloway and Representatives Mary Williams, Eric Severson and Scott Suder to introduce the Rural Jobs Act.

As Senator Galloway discussed, the original Rural Jobs Act was authored and introduced in 2005 by Representatives Scott Suder and Mary Williams. The intent of the bill was to promote rural job creation by creating enterprise zones for rural parts of the state.

These enterprise zones provide powerful tax credit incentives for businesses that begin operations within a zone, relocate to a zone, expand operations in a zone, make capital investments or pay for employee training costs.

Unfortunately, the bill was partially vetoed and all references to the word "rural" were removed. As a result, 9 of the 12 available zones have been allocated to urban areas.

As Senator Galloway discussed, the existing enterprise zone program has been extremely successful, even though it has been focused solely on urban areas. I strongly believe that our rural communities would be in a much better position today if we would have had these enterprise zones in rural areas, as was originally intended.

It's time to fix this and bring relief to our rural areas.



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The Rural Jobs Act, AB 2, will be a powerful first step toward turning things around. As a life long resident of rural Wisconsin, I can testify that you won't find harder working, more dedicated people anywhere. Rural Wisconsin deserves all the help that we can afford to give them.

Please join me and Senator Galloway in taking this program back to its original intent – to get Rural Wisconsin working again!

Thank you for your time and consideration.

Wisconsin Department of Commerce

Enterprise Zone Program

The Enterprise Zone program was created by 2005 Wisconsin Act 361. It enables Commerce to allocate tax credits for job creation and retention, training, Wisconsin supply chain expenditures, and capital investment to promote economic and community development. Commerce may designate a total of 12 zones over the life of the program. Nine zones are currently either contracted or in final negotiations. Commerce uses these zones carefully, and reserves them for business relocations from out-of-state and large, in-state expansions that do not fit into other Commerce programs and will have a very significant economic impact. Other Commerce programs, such as the new Jobs Credit and the Wisconsin Economic Development Tax Credit, are more typically used for small and medium-sized projects.

Enterprise Zone projects are very large projects and, as such, tend to be individual in their details. The following summary is based on Commerce's experience with nine projects that are currently contracted or in negotiation, and on general economic development knowledge. The time to contract is typically less than one year.

Fiscal Effects of Different Components of the Enterprise Zones Credit

1. **Job Creation.** The EZ-10 program offers a tax credit equal to 7% of the taxpayer's payroll in the enterprise zone that is paid to new full-time employees who earn more than \$20,000 in a tier one county or municipality (\$30,000 in a tier 2 county or municipality), but less than \$100,000 annually. Counties and municipalities are assigned to a tier based on distress criteria.

The timing of the fiscal effect of job creation credits will vary according to the individual circumstances of the project.

- A business that is currently located in-state and expanding will typically phase in job creation. Since the credits are based on performance, the fiscal effect of the credits will follow the job creation schedule.
 - A business that is moving to Wisconsin from out-of-state will create most of the jobs at the time of the move, and may phase some in later. The majority of the fiscal effect will typically be felt in the first year of the contract.
2. **Job Retention.** 2009 Wisconsin Act 11 extended the credit to job retention projects in which the business makes a significant capital investment and is either an original equipment manufacturer with a significant supply chain in Wisconsin or has more than 500 full-time employees in the enterprise zone. The credit is calculated in the same way as the credit for newly created jobs. The fiscal effect

of these credits will typically begin immediately, since the employees are already on staff.

3. **Capital Investment.** If a business makes a significant capital investment in the zone, the department may certify it to receive tax benefits not exceeding 10% of the capital investment. This capital investment would typically take place soon after designation, and the fiscal effect would thus begin immediately.
4. **Training.** Credits based on training will follow the training schedule.
5. **Wisconsin Supply Chain.** A business may earn up to 1% of the amount paid for goods and services purchased from a Wisconsin vendor.

Uline

Location	Pleasant Prairie, WI
Status	Under contract
Credits Allocated	
o Year 1	\$1,567,000
o Year 2	\$1,785,000
Life of Zone	9 years
Description	Uline, Inc. is investing approximately \$100 million to establish a corporate campus to include a 180,000-square-foot multi-level facility for the national corporate headquarters, as well as a distribution center, resulting in the move of approximately 1,000 positions from Illinois.
Project Summary	
o Jobs Created	1008
o Jobs Retained	0
o Training	\$1,500,000
o Investment	\$ 100,000,000
Credits Offered	
o Payroll Tax	\$17,100,000
o Training	\$1,500,000
o Investment	0
o Total	\$18,600,000

Tax Revenues Generated	
o State Income Tax – Employees	\$21,058,652 *
o State Income Tax – Company	Under Review
o Local Property Tax – Employees	Under Review
o Local Property Tax – Company	\$14,616,000 **
o State Sales Tax – Employees	\$15,793,989 ****
o State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2008/09 local mill rate.

*** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Republic Airways

Location	Milwaukee, WI
Status	Under contract
Credits Allocated	
o Year 1	\$4,000,000
o Year 2	\$2,565,000
Life of Zone	12 years
Description	Republic Airways Holdings Inc. is investing approximately \$20 million to consolidate operations and maintenance functions at General Mitchell International Airport in Milwaukee, resulting in the retention of nearly 570 existing positions and the move of approximately 770 positions from Colorado.
Project Summary	
o Jobs Created	770
o Jobs Retained	570
o Training	\$5,000,000
o Investment	\$20,000,000

Credits Offered	
○ Payroll Tax	\$20,008,659
○ Training	\$5,000,000
○ Investment	\$1,985,000
○ Total	\$27,000,000
Tax Revenues Generated	
○ State Income Tax – Employees	\$22,927,477 *
○ State Income Tax – Company	Under Review
○ Local Property Tax – Employees	Under Review
○ Local Property Tax – Company	\$5,440,800 **
○ State Sales Tax – Employees	\$17,195,608 ***
○ State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2008/09 local mill rate.

*** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Mercury Marine

Location	Fond du Lac, WI
Status	Under contract.
Credits Allocated	
○ Year 1	\$7,662,000
○ Year 2	\$10,741,000
Life of Zone	
12 years	
Description	Mercury Marine will consolidate operations in Fond du Lac, retaining approximately 1,526 existing positions and creating 1,311 new positions in Wisconsin. .
Project Summary	
○ Jobs Created	1,311
○ Jobs Retained	1,526
○ Training	Unknown
○ Investment	\$157,000,000
○ Supply Chain	\$500,000,000

Credits Offered	
○ Payroll Tax	\$31,612,000
○ Training	\$17,363,000
○ Investment	\$11,025,000
○ Supply Chain	\$5,000,000
○ Total	\$65,000,000
Tax Revenues Generated	
○ State Income Tax – Employees	\$49,901,493 *
○ State Income Tax – Company	Under Review
○ Local Property Tax – Employees	Under Review
○ Local Property Tax – Company	\$12,000,000 **
○ State Sales Tax – Employees	\$37,426,120 ***
○ State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Information received from Mercury Marine.

*** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Oshkosh Corporation

Location	Oshkosh, Appleton, KewauneeWI
Status	Under contract
Credits Allocated	
○ Year 1	\$5,278,500
○ Year 2	\$5,688,500
Life of Zone	
10 years	
Description	The Oshkosh Corporation is investing approximately \$42 million to compete for the Family of Medium Tactical Vehicle (FMTV) contract, resulting in the creation of at least 1,000 new positions.
Project Summary	
○ Jobs Created	1,000
○ Jobs Retained	3535
○ Training	Unknown
○ Investment	\$87,500,000
○ Supply Chain	\$100,000,000 per year

Credits Offered	
o Payroll Tax	\$17,635,000
o Investment	\$8,365,000
o Supply Chain	\$9,000,000
o Total	\$35,000,000
Tax Revenues Generated	
o State Income Tax – Employees	\$83,168,093 *
o State Income Tax – Company	Under Review
o Local Property Tax – Employees	Under Review
o Local Property Tax – Company	Under Review
o State Sales Tax – Employees	\$62,376,070**
o State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Quad/Graphics, Inc.

Location	Milwaukee, Franklin, Dousman, Kohler, West Allis, Sussex, Pewaukee, Menomonee Falls, Lomira, Hartford
Status	Under contract
Credits Allocated	
o Year 1	\$4,937,000
o Year 2	\$6,421,000
Life of Zone	11 years
Description	Quad/Graphics, Inc. recently acquired World Color Press, Inc. Quad/Graphics plans to consolidate some of its operations from other locations to Wisconsin, resulting in the addition of approximately 1,000 new positions. Approximately \$50 million worth of production equipment will be moved to the company's Wisconsin facilities.

Project Summary	
○ Jobs Created	1,000
○ Jobs Retained	5,500
○ Training	\$2,000,000
○ Investment	\$150,000,000
○ Supply Chain	\$50,000,000 annually
Credits Offered	
○ Payroll Tax	\$24,494,000
○ Investment	\$14,281,000
○ Training	\$2,000,000
○ Supply Chain	\$5,225,000
○ Total	\$46,000,000
Tax Revenues Generated	
○ State Income Tax – Employees *	\$115,805,290
○ State Income Tax – Company	Under Review
○ Local Property Tax – Employees	Under Review
○ Local Property Tax – Company	Under Review
○ State Sales Tax – Employees **	\$86,853,967
○ State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Bucyrus International, Inc.

Location	Milwaukee and surrounding communities
Status	Under contract
Credits Allocated	
○ Year 1	\$2,333,000
○ Year 2	\$3,047,000
Life of Zone	
	10 years
Description	In connection with its acquisition of the mining business of Terex Corporation, Bucyrus International, Inc. will expand its operations in Milwaukee, purchasing the former headquarters of Midwest

	Express for use as offices. Bucyrus will also expand engineering, manufacturing and assembly capabilities at its South Milwaukee and Milwaukee facilities. The project is expected to result in the creation of approximately 500 new positions and the investment of \$39 million.
Project Summary	
o Jobs Created	500
o Jobs Retained	0
o Training	\$5,000,000
o Investment	\$39,000,000
o Supply Chain	0
Credits Offered	
o Payroll Tax	\$16,010,000
o Investment	\$2,340,000
o Training	\$1,650,000
o Supply Chain	0
o Total	\$20,000,000
Tax Revenues Generated	
o State Income Tax – Employees *	\$13,852,800
o State Income Tax – Company	Under Review
o Local Property Tax – Employees	Under Review
o Local Property Tax – Company	Under Review
o State Sales Tax – Employees **	\$10,389,600
o State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Shine Medical

Location	Not yet determined
Status	Under contract.
Credits Allocated	

○ Year 1	\$ 81,000
○ Year 2	\$ 1,964,000
Life of Zone	10 years
Description	The company will establish a production facility for molybdenum-99 and a related processing facility.
Project Summary	
○ Jobs Created	545
○ Jobs Retained	0
○ Training	0
○ Investment	\$63,377,000
○ Supply Chain	0
Credits Offered	
○ Jobs Created	\$ 4,870,000
○ Jobs Retained	0
○ Training	0
○ Investment	\$ 6,330,000
○ Supply Chain	0
○ Total	\$ 11,200,000
Tax Revenues Generated	
○ State Income Tax – Employees *	\$5,115,153
○ State Income Tax – Company	Under Review
○ Local Property Tax – Employees	Under Review
○ Local Property Tax – Company	Under Review
○ State Sales Tax – Employees **	\$3,836,365
○ State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

Northstar Medical Radioisotopes, LLC

Location	Not yet determined.

Status	Under contract
Credits Allocated	
o Year 1	\$ 100,000
o Year 2	\$ 806,000
Life of Zone	5 years
Description	The company will establish a production facility for molybdenum-99.
Project Summary	
o Jobs Created	189
o Jobs Retained	0
o Training	0
o Investment	\$ 185,000,000
o Supply Chain	0
Credits Offered	
o Jobs Created	\$ 1,302,000
o Jobs Retained	0
o Training	0
o Investment	\$ 12,698,000
o Supply Chain	0
o Total	\$ 14,000,000
Tax Revenues Generated	
o State Income Tax – Employees *	\$5,353,550
o State Income Tax – Company	Under Review
o Local Property Tax – Employees	Under Review
o Local Property Tax – Company	Under Review
o State Sales Tax – Employees **	\$4,015,163
o State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study

W Solar Group, Inc.

Location	Not yet determined
Status	Under contract
Credits Allocated	
o Year 1	\$ 320,000
o Year 2	\$ 635,000
Life of Zone	12 years
Description	W Solar will develop a production facility, a research and development facility, and a corporate headquarters.
Project Summary	
o Jobs Created	525
o Jobs Retained	0
o Training	\$ 13,000,000
o Investment	\$ 215,500,000
o Supply Chain	\$ 100,000,000 annually
Credits Offered	
o Jobs Created	\$ 5,000,000
o Jobs Retained	0
o Training	0
o Investment	\$ 13,600,000
o Supply Chain	\$ 9,400,000
o Total	\$ 28,000,0000
Tax Revenues Generated	
o State Income Tax – Employees *	\$10,477,480
o State Income Tax – Company	Under Review
o Local Property Tax – Employees	Under Review
o Local Property Tax – Company	Under Review
o State Sales Tax – Employees **	\$7,858,110
o State Sales Tax – Company	Under Review

* Based on 3.6% effective tax rate from 2004 DOR Tax Incidence Study.

*** Based on 2.7% effective tax rate from 2004 DOR Tax Incidence Study